

CITY OF HAMPTON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Hampton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Dietz	Mayor	Jan 2014
Valerie Haugebak	Council Member	Jan 2016
James Davies	Council Member	Jan 2014
Dyanne Pralle	Council Member	Jan 2016
Craig Eckhardt	Council Member	Jan 2014
Steve Harms	Council Member	Jan 2016
Richard Lukensmeyer	Council Member	Jan 2014
Ron Dunt	City Manager	Indefinite
Michael Cross	City Attorney	Jan. 2014

City of Hampton

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hampton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the

aggregate remaining fund information of the City of Hampton as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hampton's basic financial statements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information, except for that portion marked "Unaudited" (Schedule 5) on which we express no opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2013 on our consideration of the City of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hampton's internal control over financial reporting and compliance.

Dennis P. Donovan, P.C.
December 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hampton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 3.5%, or approximately \$148,530, from fiscal year 2012 to fiscal year 2013. Grants, contributions and restricted interest decreased approximately \$46,111 and bond proceeds decreased approximately \$414,141. Tax Increment Financing receipts decreased approximately \$5,042.
- Disbursements of the City's governmental activities decreased 9.24%, or approximately \$382,542, in fiscal year 2013 from fiscal year 2012. Public safety and debt service disbursements increased approximately \$36,610 and \$204,064 respectively.
- The City's total cash basis net position increased 16.23%, or approximately \$795,451, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$636,868 and the cash basis net position of the business type activities increased approximately \$158,583

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's nonmajor proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Solid Waste and Meter Deposits Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$2,452,012 to approximately \$3,088,880. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2013	2012
Receipts and Transfers:		
Program Receipts:		
Charges for Service	\$ 362,137	408,248
Operating grants, contributions & restricted interest	474,237	463,127
Capital grants, contributions & restricted interest	861,673	410,803
General Receipts:		
Property tax	1,450,830	1,320,184
Tax increment financing	309,751	314,793
Local option sales tax	465,602	379,191
Grants, contributions not restricted to specific purpose	95,518	-
Unrestricted investment earnings	10,078	33,658
Note proceeds	200,000	614,141
Other general receipts	165,640	302,791
Total Receipts and Transfers	4,395,466	4,246,936
Disbursements:		
Public safety	908,678	862,068
Public works	565,631	526,617
Health and social services	4,276	830
Culture and recreation	562,259	835,944
Community and economic development	212,736	130,852
General government	263,209	306,272
Debt Service	482,282	278,218
Capital projects	759,527	1,200,339
Total Disbursements	3,758,598	4,141,140
Change in Cash Basis Net Position	636,868	105,796
Cash Basis Net Position Beginning of Year	2,452,012	2,346,216
Cash Basis Net Position End of Year	\$ 3,088,880	2,452,012

The City's total receipts for governmental activities increased 3.5%, or approximately \$148,530. The total cost of all programs and services decreased approximately \$382,542, or 9.24%, with no new programs added this year. The increase in receipts was primarily the result of grant receipts for a capital project.

The cost of all governmental activities this year was approximately \$3,758,598 compared to approximately \$4,141,140 last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$2,060,551 because some of the cost was paid by those directly benefiting from the programs (\$362,137) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,335,910). Overall, the

City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$1,282,178 to approximately \$1,698,047. The City paid for the remaining "public benefit" portion of governmental activities with \$1,450,830 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 649,219	634,773
Sewer	603,599	549,364
Solid Waste	28,975	29,180
Meter deposits	11,175	9,885
Total Receipts	1,292,968	1,223,202
Disbursements:		
Water	721,915	576,389
Sewer	358,282	357,113
Solid Waste	45,324	41,439
Meter deposits	8,864	5,669
Total Disbursements	1,134,385	980,610
Change in Cash Basis Net Position	158,583	242,592
Cash Basis Net Position Beginning of Year	2,449,816	2,207,224
Cash Basis Net Position End of Year	\$ 2,608,399	2,449,816

Total business type activities receipts for the fiscal year were \$1,292,968 compared to \$1,223,202 last year. Total disbursements for the fiscal year increased 6.38% to approximately \$1,134,385.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hampton completed the year, its governmental funds reported a combined fund balance of \$3,088,880, an increase of more than \$636,868 above last year's total of \$2,452,012. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$242,555 from the prior year to \$1,145,201. The largest increases in receipts were due to property tax and charges for service. Of the remaining fund balance, \$591,658 is restricted for the pool and \$52,277 represents library funds. The unrestricted General Fund cash balance was \$501,266.
- The Special Revenue, Road Use Tax Fund cash balance increased \$9,326 to \$379,283. Road Use Tax disbursements were higher in this fiscal year than last. The City will continue to use this money to upgrade the condition of all City roads.
- The Special Revenue, Employee Benefits Fund cash balance increased \$33,966 to \$153,817 during the fiscal year. Property tax collections for employee benefits were lower during the year, offset by reduced disbursements for employee benefits.

- The Capital Project, Progress Park Fund cash balance increased by \$536,560 to \$547,986 during the fiscal year. A significant grant was received as well as proceeds from debt to continue progress on the capital project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$72,696 to \$914,359, due primarily to an increase in disbursements for capital equipment for the water plant.
- The Enterprise, Sewer Fund cash balance increased \$245,317 to \$1,598,949, due primarily to the increase in sewer rates. These surplus funds will be used to construct the new Waste Water Treatment Plant, therefore reducing the amount of bonding.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 23, 2013 and resulted in a decrease in operating disbursements primarily related to the Waste Water Treatment Plant project.

The City's receipts were \$47,899 more than budgeted. This was primarily due to the City receiving more in charges for service than anticipated, even after the amendments.

With the budget amendment, total disbursements were \$645,410 less than the amended budget. However, actual disbursements for the debt service and capital projects functions were \$208,057 and \$169,027, respectively, more than the amended budget. This was primarily due to the City debt payments and proceeding with progress on capital projects.

The City exceeded the amounts budgeted in the debt service and capital projects functions for the year ended June 30, 2013.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$5,268,170 of bonds and other long-term debt outstanding, compared to \$5,686,170 last year, as shown below.

Outstanding Debt at Year End		
	Year ended June 30,	
	2013	2012
General Obligation Notes and Bonds	\$ 4,440,000	5,058,000
General Obligation Line of Credit	498,500	298,500
Revenue Notes	329,670	329,670
Total	\$ 5,268,170	5,686,170

Debt payments were in excess of debt proceeds during the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$4,938,500 is significantly below its constitutional debt limit of approximately \$8,298,930. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hampton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. These factors include the economy, assessed valuations, capital projects, debt obligations, employee benefits obligations, increased operating costs, aging infrastructure, equipment needs and limited revenue resources. The City has been quite successful in obtaining grants to offset the costs of projects and will continue to do so. The City again made attempts to counter the ever increasing costs of providing employee benefits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ron Dunt, City Manager, 122 1st Avenue, Hampton, Iowa.

Basic Financial Statements

City of Hampton
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

		Program Receipts		
		Charges for	Operating	Capital Grants,
	Disbursements	Service	Grants, Contributions & Restricted Interest	Contributions & Restricted Interests
Functions/Programs:				
Governmental Activities:				
Public Safety	\$ 908,678	109,929	43,635	5,095
Public Works	565,631	387	427,212	-
Health and Social Services	4,276	-	-	-
Culture and Recreation	562,259	224,216	3,390	-
Community& Economic Development	212,736	-	-	29,191
General Government	263,209	25,929	-	5,250
Debt Service	482,282	-	-	-
Capital Projects	759,527	1,676	-	822,137
Total Governmental Activities	3,758,598	362,137	474,237	861,673
Business Type Activities:				
Water	721,915	649,219	-	-
Sewer Rental	358,282	603,599	-	-
Solid Waste	45,324	28,975	-	-
Meter Deposits	8,864	11,175	-	-
Total Business Type Activities	1,134,385	1,292,968	-	-
Total	\$ 4,892,983	1,655,105	474,237	861,673

General Receipts and Transfers:

Property and other city taxes levied for:
 General Purpose
 Debt Service
Tax Increment Financing
Local Option Sales Tax
Grants and Contributions Not Restricted to Specific Purpose
Unrestricted Interest on Investments
Bond Proceeds
Miscellaneous
Total General Receipts and Transfers

Changes in Cash Basis Net Position

Cash Basis Net Position Beginning of Year

Cash Basis Net Position End of Year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Cemetery Perpetual Care
 Expendable:
 Streets
 Debt Service
 Other Purposes
Unrestricted

Total Cash Basis Net Position

See Notes to Financial Statements.

Net (Disbursements)Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(750,019)	-	(750,019)
(138,032)	-	(138,032)
(4,276)	-	(4,276)
(334,653)	-	(334,653)
(183,545)	-	(183,545)
(232,030)	-	(232,030)
(482,282)	-	(482,282)
64,286	-	64,286
(2,060,551)	-	(2,060,551)
-	(72,696)	(72,696)
-	245,317	245,317
-	(16,349)	(16,349)
-	2,311	2,311
-	158,583	158,583
(2,060,551)	158,583	(1,901,968)
1,435,974	-	1,435,974
14,856	-	14,856
309,751	-	309,751
465,602	-	465,602
95,518	-	95,518
10,078	-	10,078
200,000	-	200,000
165,640	-	165,640
2,697,419	-	2,697,419
636,868	158,583	795,451
2,452,012	2,449,816	4,901,828
\$ 3,088,880	2,608,399	5,697,279
\$ 182,730	-	182,730
379,283	-	379,283
273,900	38,479	312,379
1,608,274	-	1,608,274
644,693	2,569,920	3,214,613
\$ 3,088,880	2,608,399	5,697,279

City of Hampton
Statement of Cash Basis Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

		Special Revenue		
	General	Road Use Tax	Employee Benefits	Local Option Sale Tax
Receipts:				
Property Tax	\$ 931,152	-	381,918	-
Tax Increment Financing	-	-	-	-
Other City Tax	107,197	-	15,707	465,602
Licenses and Permits	20,575	-	-	-
Use of Money and Property	52,483	-	-	-
Intergovernmental	38,731	427,212	-	-
Charges for Service	436,170	387	-	-
Special Assessments	620	-	-	-
Miscellaneous	54,225	-	400	-
Total Receipts	1,641,153	427,599	398,025	465,602
Disbursements:				
Operating:				
Public Safety	693,354	-	214,384	-
Public Works	79,406	418,273	67,952	-
Health and Social Services	4,276	-	-	-
Culture and Recreation	479,211	-	76,347	-
Community and Economic Development	144,782	-	-	-
General Government	257,833	-	5,376	-
Debt Service	203,333	-	-	-
Capital Project	-	-	-	-
Total Disbursements	1,862,195	418,273	364,059	-
Excess(Deficiency) of Receipts over(Under) Disbursements	(221,042)	9,326	33,966	465,602
Other Financing sources(uses):				
Bond Proceeds	-	-	-	-
Operating Transfers In	465,602	-	-	-
Operating Transfers Out	(2,005)	-	-	(465,602)
Total Other Financing Sources(Uses)	463,597	-	-	(465,602)
Change in Cash Balance	242,555	9,326	33,966	-
Cash balance beginning of year	902,646	369,957	119,851	-
Cash balance end of year	\$ 1,145,201	379,283	153,817	-
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	379,283	-	-
Debt Service	-	-	-	-
Other Purposes	591,658	-	153,817	-
Assigned	52,277	-	-	-
Unassigned	501,266	-	-	-
Total Cash basis fund balances	\$ 1,145,201	379,283	153,817	-
See Notes to Financial Statements.				

Capital Projects		
Progress Park	Non Major	Total
-	-	1,313,070
-	309,751	309,751
-	-	588,506
-	-	20,575
-	7,068	59,551
799,584	20,813	1,286,340
-	-	436,557
-	14,856	15,476
18,186	92,829	165,640
817,770	445,317	4,195,466
-	940	908,678
-	-	565,631
-	-	4,276
-	6,701	562,259
-	67,954	212,736
-	-	263,209
4,924	274,025	482,282
476,286	283,241	759,527
481,210	632,861	3,758,598
336,560	(187,544)	436,868
200,000	-	200,000
-	2,005	467,607
-	-	(467,607)
200,000	2,005	200,000
536,560	(185,539)	636,868
11,426	1,048,132	2,452,012
547,986	862,593	3,088,880
-	182,730	182,730
-	-	379,283
-	273,900	273,900
547,986	314,813	1,608,274
-	228,913	281,190
-	(137,763)	363,503
547,986	862,593	3,088,880

City of Hampton

City of Hampton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise			
	Water	Sewer	Non Major	Total
Operating Receipts:				
Charges for Service	\$ 649,219	603,599	40,150	1,292,968
Total Operating Receipts	649,219	603,599	40,150	1,292,968
Operating Disbursements:				
Business Type Activities	721,915	358,282	54,188	1,134,385
Total Operating Disbursements	721,915	358,282	54,188	1,134,385
Excess(Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(72,696)	245,317	(14,038)	158,583
Cash Balance Beginning of Year	987,055	1,353,632	109,129	2,449,816
Cash Balance End of Year	\$ 914,359	1,598,949	95,091	2,608,399
Cash Basis Fund Balances				
Restricted for Debt Service	\$ -	-	38,479	38,479
Unrestricted	914,359	1,598,949	56,612	2,569,920
Total Cash Balance	\$ 914,359	1,598,949	95,091	2,608,399

See Notes to Financial Statements.

City of Hampton

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Hampton is a political subdivision of the State of Iowa located in Franklin County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Hampton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: North Iowa Task Force, Franklin County Emergency Management Commission, Franklin County Joint E911 Service Board and Franklin County Conference Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for employee benefits financed by property tax collections.

The Local Option Sales Tax Fund is used to account for Local Option Sales tax collections and transfers to the General Fund.

The Capital Project Fund – Progress Park is utilized to account for grant and miscellaneous receipts and disbursements for construction.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items.

Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments (Perpetual Care):

Investment	Carrying Amount	Fair Value	Maturity
Money Market	\$ 3,462	\$ 3,462	
Corporate Government Bond	176,454	177,263	Various

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and bonds and revenue notes are as follows:

Year Ending	General Obligation Notes		General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,								
2014	\$ 513,500	8,572	315,000	146,143	329,670	-	1,158,170	154,715
2015	15,000	2,820	320,000	139,232	-	-	335,000	142,052
2016	20,000	2,280	335,000	131,083	-	-	355,000	133,328
2017	20,000	1,540	345,000	121,788	-	-	365,000	123,328
2018	20,000	780	355,000	111,452	-	-	375,000	112,232
2019-2023	-	-	2,010,000	361,480	-	-	2,010,000	361,480
2024-2025	-	-	670,000	33,405	-	-	670,000	33,405
Total	\$ 588,500	15,992	4,350,000	1,044,583	329,670	-	5,268,170	1,060,575

The Code of Iowa requires principal and interest on general obligation notes and bonds be paid from the Debt Service Fund. However, during the year, \$482,282 of principal and interest payments were made from the General Fund, the Special Revenue, Tax Increment Financing Fund and the Capital Projects, Progress Park Fund.

In May, 2007, the City issued \$165,000 of General Obligation Capital Loan Notes, Series 2007. The notes were issued for the purpose of paying a portion of the costs of constructing street and related utility improvements, including those associated with the Oak Hill Drive Project. On May 29, 2008, the notes were refunded by issuing \$165,000 of General Obligation Capital Loan Notes, Series 2008 with interest rates ranging from 2.6% to 3.9%.

On July 6, 2009, the City issued \$2,760,000 of General Obligation Bonds, Series 2009 (Urban Renewal). The bonds were issued to pay the costs of construction, reconstruction and installation of roadway and related storm sewer, sanitary sewer and water system utility improvements associated with the Highway 65 Reconstruction Project. The bonds are general obligations of the City, however a portion of the debt will be serviced by tax increment financing revenue collected from the City’s Urban Renewal Area. Interest rates range from 2.25% to 4.30% over the life of the bonds.

The City issued \$2,470,000 of General Obligation Local Option Sales Tax Bonds, Series 2010, dated July 22, 2010. The bonds were issued to pay the costs of acquisition, construction and equipping a new aquatic center. The bonds are general obligations of the City, however, the debt will be serviced primarily by Local Option Sales Tax revenue. Interest rates range from 1.00% to 3.60% over the life of the bonds.

On October 27, 2010, the City issued \$376,000 of Sewer Revenue Capital Loan Notes for the purpose of planning and designing a new waste water treatment plant. These notes are payable solely from sewer customer receipts, net of specified operating disbursements. Proceeds of the note are available to draw

as needed. As of June 30, 2012, \$329,670 had been drawn, and no draws were made in the year ended June 30, 2013. For the current year, no principal or interest payments were required.

On April 23, 2012, the City entered into a line of credit agreement not to exceed \$570,000 for the purpose of providing access to funds to pay certain approved expenses associated with the Progress Park Project pending receipts of funding under a certain Community Attraction and Tourism Program grant award in the amount of \$800,000. The line of credit advances are general obligations of the City and bear interest at a fixed rate of 1.05% per annum. As of June 30, 2012, \$298,500 had been drawn on the note, and \$200,000 was advanced during the year ended June 30, 2013.

The City was in compliance with the provisions of the note and bond resolutions

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$116,458, \$118,147 and \$92,701, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug, dental and deductible benefits for employees, retirees and their spouses. There are 27 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. The dental benefits are self-funded by the City and are paid through a third party administrator, Three Rivers Benefit Corporation. The City also partially funds deductibles which are paid through Three Rivers Benefit Corporation.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$407 for single coverage and \$1,016 for family coverage. For the year ended June 30, 2013, the City contributed \$266,580 and plan members eligible for benefits contributed \$18,738 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 63,304
Comp Time	91,270
Total	<u>\$ 154,574</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 465,602
Permanent:		
Cemetery Perpetual Care	General	2,005
Total		<u>\$ 467,607</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,072 during the year ended June 30, 2013.

(9) Landfill of North Iowa

The City, in conjunction with 17 other municipalities, has created the Landfill of North Iowa. The Landfill was established for the primary purpose of providing for the collection of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Landfill will be prorated among the municipalities. The Landfill is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Landfill is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore the City of Hampton has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2013, the City remitted \$6,022 for its share of the costs.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Balance

The Capital Projects Fund Waste Water Treatment Plant Project account had a deficit balance of \$163,884 at June 30, 2013. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of project financing.

(12) Excess Fund Balance

We noted the fund balances of the Governmental Funds, Make a Splash, Forfeiture, Band Shell, Economic Development, Library Trust, Cemetery Trust, Debt Service and the Enterprise Fund, Water Reserve, were in excess of the disbursements for the current year.

(13) Subsequent Events

The date through which events occurring after June 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure is December 5, 2013 which is the date of this report.

Other Information

City of Hampton
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 1,313,070	-	1,313,070
Tax Increment Financing	309,751	-	309,751
Other City Tax	588,506	-	588,506
License and Permits	20,575	-	20,575
Use of Money and Property	59,551	-	59,551
Intergovernmental	1,286,340	-	1,286,340
Charges for Services	436,557	1,292,968	1,729,525
Special Assessments	15,476	-	15,476
Miscellaneous	165,640	-	165,640
Total Receipts	4,195,466	1,292,968	5,488,434
Disbursements:			
Public Safety	908,678	-	908,678
Public Works	565,631	-	565,631
Health and Social Services	4,276	-	4,276
Culture and Recreation	562,259	-	562,259
Community and Economic Development	212,736	-	212,736
General Government	263,209	-	263,209
Debt Service	482,282	-	482,282
Capital Projects	759,527	-	759,527
Business Type Activities	-	1,134,385	1,134,385
Total Disbursements	3,758,598	1,134,385	4,892,983
Excess(Deficiency) of Receipts Over(Under) Disbursements	436,868	158,583	595,451
Other Financing Sources, Net	200,000	-	200,000
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	636,868	158,583	795,451
Balances Beginning of Year	2,452,012	2,449,816	4,901,828
Balances End of Year	\$ 3,088,880	2,608,399	5,697,279

See Accompanying Independent Auditors' Report.

Budgeted Amounts		Final to
Original	Final	Total Variance
1,296,828	1,296,828	16,242
306,699	306,699	3,052
410,650	505,150	83,356
16,850	16,850	3,725
105,100	77,100	(17,549)
1,235,450	1,427,450	(141,110)
1,434,500	1,435,500	294,025
31,000	31,000	(15,524)
57,500	343,958	(178,318)
4,894,577	5,440,535	47,899
1,000,450	1,017,450	(108,772)
578,250	599,450	(33,819)
5,700	5,700	(1,424)
460,500	756,258	(193,999)
271,600	275,600	(62,864)
275,860	299,860	(36,651)
274,225	274,225	208,057
333,000	590,500	169,027
7,099,350	1,719,350	(584,965)
10,298,935	5,538,393	(645,410)
(5,404,358)	(97,858)	693,309
5,485,000	250,000	(50,000)
80,642	152,142	693,309
8,395,711	8,395,711	(3,493,883)
8,476,353	8,547,853	(2,850,574)

City of Hampton

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$4,760,542. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

Supplementary Information

City of Hampton
Statement of Cash Basis Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue					
	Make a Splash	Forfeiture	Band Shell	Economic Development	Tax Increment Financing	Library Trust
Receipts:						
Tax Increment Financing	\$ -	-	-	-	309,751	-
Use of Money and Property	111	3,201	35	-	-	2
Intergovernmental	-	-	-	5,250	-	-
Special Assessments	-	-	-	-	-	-
Miscellaneous	26,010	-	-	-	-	23
Total Receipts	26,121	3,201	35	5,250	309,751	25
Disbursements:						
Operating:						
Public Safety	-	940	-	-	-	-
Culture and Recreation	-	-	667	-	-	-
Community and Economic Development	-	-	-	5,454	62,500	-
Debt Service	-	-	-	-	254,685	-
Capital Projects	-	-	-	-	-	-
Total Disbursements	-	940	667	5,454	317,185	-
Excess (Deficiency) of Receipts over (under) Disbursements	26,121	2,261	(632)	(204)	(7,434)	25
Other Financing Sources(uses):						
Operating Transfers In	-	-	-	-	-	-
Total Other Financing Sources (uses)	-	-	-	-	-	-
Net Change in Cash Balance	26,121	2,261	(632)	(204)	(7,434)	25
Cash Balance Beginning of Year	44,091	1,895	33,261	14,307	137,475	2,605
Cash Balance End of Year	\$ 70,212	4,156	33,629	14,103	130,041	2,630
Cash Basis Fund Balances						
Nonspendable	\$ -	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Other Purpose	44,091	4,145	-	-	-	2,630
Assigned	-	-	32,629	14,103	130,041	-
Unassigned	26,121	-	-	-	-	-
Total Cash Basis Fund Balance	\$ 70,212	4,156	32,629	14,103	130,041	2,630

See Accompanying Independent Auditors' Report.

Schedule 1

Debt Service			Capital Projects				Permanent	
Cemetery Trust	Debt Service	Special Assessment Debt Service	FAA Grant	Highway 65	Aquatic Center	Waste Water Treatment Project	Perpetual Care	Total
-	-	-	-	-	-	-	-	309,751
3,719	-	-	-	-	-	-	-	7,068
-	-	-	22,553	-	-	-	(6,990)	20,813
-	-	14,856	-	-	-	-	-	14,856
455	-	-	-	20,011	-	46,330	-	92,829
4,174	-	14,856	22,553	20,011	-	46,330	(6,990)	445,317
-	-	-	-	-	-	-	-	940
6,034	-	-	-	-	-	-	-	6,701
-	-	-	-	-	-	-	-	67,954
-	-	19,340	-	-	-	-	-	274,025
-	-	-	18,872	88,222	-	176,147	-	283,241
6,034	-	19,340	18,872	88,222	-	176,147	-	632,861
(1,860)	-	(4,484)	3,681	(68,211)	-	(129,817)	(6,990)	(187,544)
-	-	-	-	-	-	-	2,005	2,005
-	-	-	-	-	-	-	2,005	2,005
(1,860)	-	(4,484)	3,681	(68,211)	-	(129,817)	(4,985)	(185,539)
54,000	246,877	31,507	27,019	92,283	209,164	(34,067)	187,715	1,048,132
52,140	246,877	27,023	30,700	24,072	209,164	(163,884)	182,730	862,593
-	-	-	-	-	-	-	182,730	182,730
-	246,877	27,023	-	-	-	-	-	273,900
-	-	-	30,700	24,072	209,164	-	-	314,813
52,140	-	-	-	-	-	-	-	228,913
-	-	-	-	-	-	(163,884)	-	(137,763)
52,140	246,877	27,023	30,700	24,072	209,164	(163,884)	182,730	862,593

City of Hampton

City of Hampton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

Schedule 2

As of and for the year ended June 30, 2013

	Enterprise			
	Water Reserve	Solid Waste	Meter Deposit	Total
Operating Receipts:				
Charges for Service	\$ -	28,975	11,175	40,150
Total Operating Receipts	-	28,975	11,175	40,150
Operating Disbursements:				
Business Type Activities	-	45,324	8,864	54,188
Total Operating Disbursements	-	45,324	8,864	54,188
Excess(Deficiency) of Operating Receipts over(under) Operating Disbursements	-	(16,349)	2,311	(14,038)
Cash Balance Beginning of Year	38,479	38,931	31,719	109,129
Cash Balance End of Year	\$ 38,479	22,582	34,030	95,091
Cash Basis Fund Balance				
Restricted for Debt Service	\$ 38,479	-	-	38,479
Unrestricted	-	22,582	34,030	56,612
Total Cash Balance	\$ 38,479	22,582	34,030	95,091

See Accompanying Independent Auditors' Report.

City of Hampton
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes/Bonds:			
Oak Hill Drive Project	May 29, 2008	2.60-3.90%	\$ 165,000
Urban Renewal(Highway 65)	July 6, 2009	2.25-4.30	2,760,000
Local Option Sales Tax (Aquatic Park)	July 22, 2010	1.00-3.00	2,470,000
Line of Credit (Progress Park)	April 23, 2012	1.05	570,000
Total			
Revenue Notes:			
Sewer Revenue Capital Loan Notes	October 27, 2010	0%	\$ 376,000

See Accompanying Independent Auditors' Report

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
105,000	-	15,000	90,000	4,340	-
2,435,000	-	165,000	2,270,000	89,685	-
2,220,000	-	140,000	2,080,000	63,333	-
298,500	200,000	-	498,500	4,924	-
\$ 5,058,500	200,000	320,000	4,938,500	162,282	-
\$ 329,670	-	-	329,670	-	-

City of Hampton

City of Hampton

Schedule 4

Bond and Note Maturities

June 30, 2013

General Obligation Notes					General Obligation Bonds					
Year Ending June 30,	Oak Hill Drive		\$570,000 Line of Credit		Highway 65 Project		Aquatic Center			
	Issued May 29, 2009		Issued April 23, 2012		Issued July 6, 2009		Issued July 22, 2010			
	Interest		Interest		Interest		Interest			Total
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2014	3.45%	\$ 15,000	1.05%	\$ 498,500	2.70%	\$ 170,000	1.60%	\$ 145,000	828,500	
2015	3.60	15,000	-	-	3.00	175,000	2.00	145,000	335,000	
2016	3.70	20,000	-	-	3.20	185,000	2.25	150,000	355,000	
2017	3.80	20,000	-	-	3.40	190,000	2.50	155,000	365,000	
2018	3.90	20,000	-	-	3.60	195,000	2.80	160,000	375,000	
2019	-	-	-	-	3.80	205,000	3.00	165,000	370,000	
2020	-	-	-	-	4.00	210,000	3.15	175,000	385,000	
2021	-	-	-	-	4.10	220,000	3.20	180,000	400,000	
2022	-	-	-	-	4.20	230,000	3.35	190,000	420,000	
2023	-	-	-	-	4.25	240,000	3.40	195,000	435,000	
2024	-	-	-	-	4.30	250,000	3.50	205,000	455,000	
2025	-	-	-	-	-	-	3.60	215,000	215,000	
Total		<u>\$ 90,000</u>		<u>\$ 498,500</u>		<u>\$2,270,000</u>		<u>\$2,080,000</u>	<u>4,938,500</u>	

	Sewer Revenue	
	Capital Loan Notes	
	Anticipation Notes	
	Issued Oct 27, 2010	
Year Ending June 30,	Interest	
	Rates	Amount
2014	0%	<u>\$329,670</u>

See Accompanying Independent Auditors' Report

City of Hampton
Schedule of Receipt By Source and Disbursements By Function-
All Government Funds
For the Last Nine Years

		Unaudited			
		2013	2012	2011	2010
Receipts:					
Property Tax	\$	1,313,070	1,320,184	1,423,117	1,357,727
Tax Increment Financing		309,751	314,793	503,883	-
Other City Tax		588,506	507,907	448,103	459,108
License and Permits		20,575	14,243	12,200	14,616
Use of Money and Property		59,551	65,785	76,287	116,141
Intergovernmental		1,286,340	873,929	766,804	1,013,796
Charges for Service		436,557	394,005	385,500	303,853
Special Assessments		15,476	29,698	23,132	71,900
Miscellaneous		165,640	111,001	255,885	187,606
Total	\$	4,195,466	3,631,545	3,894,911	3,524,747
Disbursements:					
Operating:					
Public Safety	\$	908,678	862,068	949,883	1,075,886
Public Works		565,631	526,617	506,036	461,021
Health and Social Services		4,276	830	5,006	5,347
Culture and Recreation		562,259	835,944	703,886	542,457
Community and Economic Development		212,736	130,852	103,114	260,655
General Government		263,209	306,272	260,866	315,659
Debt Service		482,282	278,218	462,258	316,896
Capital Projects		759,527	1,200,339	5,697,915	1,484,203
Total	\$	3,758,598	4,141,140	8,688,964	4,462,124

See Accompanying Independent Auditors' Report.

Schedule 5

Unaudited				
2009	2008	2007	2006	2005
1,327,231	1,198,746	1,271,143	1,200,086	1,098,479
-	1,903	637,728	700,657	1,037,593
410,127	369,711	436,195	362,539	341,315
26,211	10,970	14,107	25,962	17,912
133,678	180,305	169,065	101,527	58,941
740,528	609,780	604,861	466,141	807,345
335,997	328,877	198,941	196,399	191,931
15,487	14,841	22,976	20,609	27,145
40,351	66,357	48,244	137,686	118,548
3,029,610	2,781,490	3,394,260	3,211,606	3,699,209
921,632	782,560	807,758	753,825	771,515
640,344	466,381	426,900	389,270	356,646
5,605	4,561	3,154	4,792	3,840
602,299	469,363	457,181	416,746	413,960
156,472	205,235	102,761	202,027	232,831
271,409	280,606	218,948	175,041	118,705
329,969	706,596	542,176	812,783	624,400
160,373	355,102	112,569	-	215,123
3,087,830	3,270,404	2,671,447	2,754,484	2,737,020

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hampton, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hampton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hampton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hampton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Hampton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item C to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hampton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Hampton's Responses to Findings

The City of Hampton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Hampton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hampton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Dennis P. Donovan, P.C.

December 5, 2013

City of Hampton

City of Hampton
Hampton, Iowa

Schedule of Findings

Year Ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We have reviewed procedures as suggested. We are in the process of further cross training employees to further segregate duties.

Conclusion – Response accepted.

- B. Period End Financial Reporting Process – During the audit, we noted that the internal control system does not include a process for reconciling items in the general ledger from subsidiary ledgers, to the reconciled bank balances, ensuring that all the recurring and nonrecurring adjustments to the financial statements have been made at each month end.

Recommendation – Reconciling the subsidiary ledgers to the general ledger should be performed monthly. A review should be performed to ensure that all transactions have been recorded. The City should reconcile the general ledger to the reconciled bank balances on a monthly basis.

Response – We will review the procedures as suggested.

Conclusion – Response accepted.

- C. Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The City of Hampton does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that City officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external reporting, rather than rely on external assistance.

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2013

C. Preparation of Full Disclosure Financial Statements (Continued)

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2. Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Trevis Murphy, Sewer Plant Employee, Father owns Murphy Heating & Plumbing	Repairs	\$ 2,492
James Davies, Council Member, Employee of Creative Solutions	Web Site Hosting and Renewal	580

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year. The transactions with the Sewer Plant employee’s father do not appear to represent conflicts of interest since

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2013

4. Business Transactions (Continued)

the duties of employment do not directly involve the procurement of the services in accordance with Chapter 362.5 of the Code of Iowa.

5. Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

6. City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council went into closed session on January 10, 2013. However, the minutes record did not document the final action that was taken upon reopening the session, or that any action was taken as required by Chapter 21 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa by recording the final action of closed sessions as required.

Response – We will comply with the Code requirements for closed sessions.

Conclusion – Response accepted.

7. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. Chapter 12C.7 (2) of the Code of Iowa states, "Interest or earnings in investments and time deposits made in accordance with the provisions of Chapter 12B and 12C shall be credited to the general fund of the governmental body making the investment or deposit, with the exception of specific funds for which investments are otherwise provided by law, constitutional funds, or when legally diverted to the state sinking fund for public deposits. Funds so excepted shall receive credit for interest or earnings derived from such investments or time deposits made from such funds." We noted all interest earned on pooled funds is being credited to the General Fund.

Recommendation – The City should make monthly allocation to the individual funds in proportion to the amount of money invested by that fund.

Response – We will attempt to make the necessary allocations.

Conclusion – Response accepted.

8. Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2013

9. Payment of General Obligation Bonds – Certain general obligation notes and bonds were paid from the General Fund, Special Revenue, Tax Increment Financing Fund and Capital Projects Fund, Progress Park. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General, Special Revenue and Capital Projects Funds to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

10. Financial Condition – The Capital Projects Fund, Progress Park had a deficit balance of \$163,884 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was due to construction costs incurred prior to receipt of project financing.

Conclusion – Response accepted.

11. Excess Fund Balance – The ending fund balances of the Make A Splash, Forfeiture, Band Shell, Economic Development, Library Trust, Cemetery Trust, Debt Service and the Water Reserve funds were in excess of disbursements for the current year.

Recommendation – The City should investigate alternatives to eliminate the excesses.

Response – The excess balances in the Special Revenue Funds will be eliminated as the projects progress. The Debt Service excess fund balance as well as the Water Reserve excess will be eliminated with future debt redemptions.

Conclusion – Response accepted.

12. Official Depositories – A resolution naming official depositories has been adopted by the City. However, one of the City’s depositories changed names during the year and the resolution was not updated to reflect the name change.

Recommendation – The City should monitor and update its depository resolution as necessary.

Response – We will review and update depository resolutions as needed.

Conclusion – Response accepted.

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2013

13. Separately Maintained Accounts – The Police Department maintains the DARE account within the Department. The receipts and disbursements of the accounts were not reflected in the City's accounting system and were not included in the City's annual budget, claims process or financial report.

Recommendation – In accordance with the Code of Iowa, a special revenue fund should be established for this account, all collections should be remitted to the City and all disbursements should be approved by the City Council and be reflected in the City's accounting system, annual budget and financial reports and claims should be approved by the Council.

Response – We will consider establishing a DARE fund.

Conclusion – Response accepted.